



Quarterly Revenue Update

September 2003



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This report is a quarterly publication that provides an update on the collection of selected County revenues. For questions, please call the above at (240) 777-8866.

- ***Preliminary Fiscal Year 2004 Results.*** Total tax collections during the first quarter of fiscal year 2004 are slightly below collections during the first quarter of FY03 and below the revised budget estimate. However, collections received on a monthly or quarterly basis such as the excise taxes are subject to significant variability when compared to similar periods for previous fiscal years. Payments received a few days before the end of the quarter may not be recorded until the next quarter thereby making comparisons between specific revenue sources meaningless.
- ***Income Tax.*** A major contributor to the decline in total collections during the first quarter has been the distributions from the income taxes which were \$66.0 million during the first quarter compared to \$98.2 million during the same period in FY03, a decrease of 33%. The decline in the first quarter can be attributed to the decrease in net taxable income for the County, which was caused by little employment and wage growth and a continuation of the drop in capital gains during calendar year 2002.
- ***Transfer and Recordation Taxes.*** With home sales increasing significantly during the first quarter of FY04 (+13.9% above the first quarter of FY03) and mortgage rates continuing to remain at historically low levels, collections from both taxes increased 33.4% above the first quarter of last year. Collections from both taxes continue to reach record levels. Transfer tax collections are 17.2% above the first quarter of FY03 and recordation taxes are 53.0% above the same period last year. Even without the rate increase last year, the recordation tax would still achieve record levels due to a healthy housing market and low mortgage rates.
- ***Other Taxes and Highway User Fund.*** Collections from the hotel/motel tax during the first quarter were running below last year's collections by slightly more than 3%. Since the peak period for the hotel/motel business occurs in October-November and April-May months of this year, any comparison between the first quarter collections for any fiscal year does not indicate the trend of the future revenue stream. Because the data in the table for fuel/energy and telephone taxes are presented on an accrual basis, they do not provide a more current picture. On the basis of quarterly receipts received in October, the first month which reflects the threefold rate increase, fuel/energy tax receipts are nearly three times higher compared to October 2002. Telephone tax receipts for the same month are over twice the amount collected in October 2002. Revenues from the highway user fund were below last year's revenues by 24.3% but in line with the budget forecast. Such a decline is attributed to the State's decision to reduce the distribution to the County beginning this fiscal year.
- ***Investment Income.*** Because of the accommodative monetary policy of the Federal Reserve (Fed), the effective rate on federal funds, which is the target rate set by the Fed, reached a low of 1.01% at the end of September. That rate is below the 1.75% at the end of the first quarter of FY03. Because of the decline in short-term rates attributed to the decline in the federal funds rate, the yield on the County's investments was 1.08% at the end of September. Because of the 43% drop in the rate over the past year, income from the County's investments was only \$1.2 million during the first quarter of FY03, a decrease of 60.6% compared to the same period last year.

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2004

<u>TAXES :</u>	<i>REPORTING PERIOD</i>			<i>VARIANCE FY04 / FY03</i>	<i>PERCENT CHANGE</i>	<i>FY04 BUDGET FORECAST</i>			<i>PERCENT CHANGE</i>
		<i>FY04</i>	<i>FY03</i>				<i>FY02</i>	<i>VARIANCE FY03 / FY02</i>	
INCOME	<i>September</i>	66,024,992	98,195,538	(32,170,547)	-32.8%	6.8%	143,889,104	(45,693,566)	-31.8%
PROPERTY	<i>September</i>	433,050,792	420,220,005	12,830,788	3.1%	5.7%	385,761,414	34,458,591	8.9%
TRANSFER	<i>September</i>	24,586,147	20,972,109	3,614,038	17.2%	-10.1%	20,720,731	251,379	1.2%
RECORDATION	<i>September</i>	26,507,090	17,325,467	9,181,623	53.0%	-19.3%	10,806,677	6,518,790	60.3%
FUEL/ENERGY	<i>September</i>	(29,509)	866,812	(896,321)	-103.4%	203.4%	3,890	862,922	N/A
HOTEL/MOTEL	<i>September</i>	1,926,837	2,001,399	(74,562)	-3.7%	3.1%	1,643,407	357,992	21.8%
TELEPHONE	<i>September</i>	1,409,507	1,348	1,408,159	N/A	328.8%	0	1,348	N/A
ADMISSIONS	<i>September</i>	0	0	0	N/A	3.5%	0	0	N/A
<u>MISCELLANEOUS :</u>									
INVESTMENT INCOME	<i>September</i>	1,236,281	3,134,573	(1,898,292)	-60.6%	6.5%	6,153,975	(3,019,402)	-49.1%
HIGHWAY USER	<i>September</i>	2,071,363	2,737,623	(666,261)	-24.3%	-27.5%	2,741,761	(4,138)	-0.2%
<u>TOTAL</u>		556,783,498	565,454,874	(8,671,376)	-1.5%	7.7%	571,720,958	(6,266,084)	-1.1%

October 6, 2003

NOTES:

SOME TAX COLLECTIONS (E.G. ADMISSIONS TAX IN SEPTEMBER WAS \$0) ARE EXPECTED TO BE REFLECTED IN THE NEXT FAMIS REPORT

N/A = Not Applicable